

Message Text

LIMITED OFFICIAL USE

PAGE 01 WARSAW 01813 01 OF 02 151344Z

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 COME-00 TRSE-00 OPIC-03

AID-05 L-03 AGRE-00 CIAE-00 INR-07 NSAE-00 IGA-02

STR-04 /049 W

-----151427Z 039516 /43

R 151228Z MAR 77

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 7061

INFO AMEMBASSY BELGRADE

LIMITED OFFICIAL USE SECTION 1 OF 2 WARSAW 1813

EO 11652N/A

TAGS: EFIN ETRD PL

SUBJ: EXIMBANK VISIT TO POLAND, GOP ECONOMIC PRIORITY

1. SUMMARY: IN A SERIES OF FRANK DISCUSSIONS WITH KEY ACTORS ON THE POLISH ECONOMIC SCENE, THE EXIMBANK DELEGATION, LED BY VICE PRESIDENT ALBRIGHT, REVIEWED IN DETAIL POLAND'S ECONOMIC SITUATION DURING A MARCH 7-8 VISIT. THE EXIM TEAM ALSO PICKED UP INFORMATION ON KEY INDUSTRIAL PROJECTS WHICH ARE IN THE PLANNING IOTAGE FOR 1978-80. END SUMMARY.

2. THE EXIMBANK GROUP MET WITH KEY POLISH POLICYMAKERS, SUCH AS PRESIDENT BIEN OF BANK NARODOWY, PRESIDENT MALESA OF BANK HANDLOWY, VICE MINISTER OF FINANCE KRZAK, VICE MINISTER OF FOREIGN TRADE DLUGOSZ, AND PLANNING COMMISSION VICE CHAIRMAN OLESIK. THE SESSIONS SHED ADDITIONAL LIGHT ON THE GOP'S APPROACH TO THE ECONOMIC PROBLEMS IT FACES IN THE CURRENT FIVE YEAR PLAN.

3. FOREIGN TRADE. THE POLISH OFFICIALS SAID THE CHIEF PRIORITY OF THE GOP IS TO IMPROVE THE STRUCTURE AND EXPAND THE VOLUME OF POLISH EXPORTS TO THE WEST. THEY AGREED THAT THIS WOULD NOT BE AN EASY TASK. ALL CITED THE AGRICULTURAL DIFFICULTIES

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 WARSAW 01813 01 OF 02 151344Z

OF 1974-76, WITH THEIR EXTRAORDINARY IMPORTS OF FEEDGRAINS AND ARTIFICIAL FERTILIZERS, AS A MAJOR REASON FOR POLAND'S BALANCE-OF-PAYMENTS DEFICITS AND LARGE FOREIGN DEBT. THEY NOTED THAT MANY NEW FACTORIES FINANCED WITH WESTERN AND EXIMBANK CREDIT, WOULD BE COMING ON STREAM THIS YEAR AND THE NEXT. WHILE OPENLY ADMITTING THAT CONSTRUCTION DELAYS OF SOME KEY PROJECTX HAD THROWN THE REGIME'S EXPORT PLANS OFF SCHEDULE, MOST

BELIEVE THAT POLAND'S TRADE PICTURE COULD BE IMPROVED WITHOUT DRASTICALLY CUTTING THE DOMESTIC GROWTH RATE.

4. CHAIRMAN OLESIK WAS PARTICULARLY OPTIMISTIC THAT HARD-CURRENCY IMPORTS COULD BE HELD AT CURRENT LEVELS--OR EVEN REDUCED--WITHOUT UNDERMINING THE REGIME'S COMMITMENT TO RAPID GROWTH. HE NOTED THAT THE ECONOMY'S STEEL AND CEMENT IMPORT REQUIREMENTS CAN BE CUT SIGNIFICANTLY BECUASE OF POLAND'S INCREASED CAPACITY IN THESE PRODUCTS. THE SWITCH IN EMPHASIS TOWARD MODERNIZING EXISTING FACILITIES RATHER THAN IMPORTING ENTIRE TURNKEY PLANTS WOULD ALSO KEEP DOWN THESE IMPORTS. OLESIK SAID POLAND'S PRODUCTION HAS GROWN ENORMOUSLY SINCE 1971 AND WOULD PERMIT SHARPLY INCREASED EXPORTS. HE THOUGHT COPPER AND COAL EXPORTS SHOULD CONTINUE TO GROW STEADILY UNTIL WELL INTO THE 1980'S.

5. OLESIK OBSERVED THAT THE POLES HAD BEEN SUCCESSFUL IN EXPANDING SOME CONSUMER-GOODS EXPORTS TO THE WEST EVEN IN FACE OF THE SEVERE RECESSION THERE. AS WESTERN ECONOMIC PERFORMANCE IMPROVES, THERE SHOULD BE FURTHER SCOPE FOR EXPANSION OF THESE EXPORTS. AGRICULTURE WILL PLAY A CRUCIAL ROLE IN DETERMINING HOW RAPIDLY THE GAP IN POLAND'S BALANCE OF PAYMENTS CAN BE NARROWED; IF HARVESTS ARE BOUNTIFUL IN 1977 AND 1978, HARD-CURRENCY TRADE SHOULD BE BROUGHT INTO ROUGH BALANCE BY THE END OF 1978. OLESIK SAID SIGNIFICANT SURPLUSES ARE PLANNED FOR BOTH 1979 AND 1980.

6. EXTERNAL DEBT- MALESA, BIEN, AND KRZAK OFFERED NO NEW INFORMATION ON THE SIZE AND STRUCTURE OF POLAND'S EXTERNAL DEBT. THEY SAID THAT, WHILE IT WAS LARGE, THE CURRENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 WARSAW 01813 01 OF 02 151344Z

LEVEL WAS NOT EXCESSIVE IN RELATION TO POLAND'S INDUSTRIAL POTENTIAL. IF FOREIGN SALES EXPAND AS PLANNED, THESE OFFICIALS FORESEE NO MAJOR DIFFICULTIES IN COVERING UPCOMING PRINCIPLE AND INTEREST PAYMENTS. IF EXPORTS DO NOT DO WELL IN THE FACE OF CONTINUED SLACKNESS IN WESTERN ECONOMIES OR WHAT THEY SEE AS GROWING TRADE PROTECTIONISM, IMPORTS COULD ALWAYS BE SLASHED TO RIGHT THE TRADE ACCOUNTS. THEY NOTED THAT THIS IS A POLICY POLAND HOPES TO AVOID, BUT ONE IT WOULD BE FORCED TO FOLLOW IF EXPORTS DO NOT INCREASE SIGNIFICANTLY THIS YEAR.

7. POLAND'S BORROWING REQUIREMENTS WILL REMAIN LARGE IN 1977 AND IN 1978, ACCORDING TO VICE MINISTER KRZAK, BUT ARE EXPECTED TO DIMINISH THEREAFTER IF FOREIGN TRADE MOVES INTO SURPLUS AS PLANNED. IN ANY CASE, THE ECONOMY'S CREDIT REQUIREMENTS WILL DECREASE, SINCE ONLY A FEW NEW MAJOR PROJECTS INVOLVING FOREIGN BORROWING ARE TO BE UNDERTAKEN UNDER THE REVISED PLAN. KRZAK AND BIEN EMPHASIZED POLANDS SPOTLESS RECORD IN REPAYING ITS DEBTS AND REAFFIRMED THE REGIME'S

INTENTION TO PRESERVE THE COUNTRY'S REPUTATION AS A DEBTOR
TO BE TRUSTED.

8. NEW PROJECTS- NEITHER CHAIRMAN OLESIK NOR VICE
MINISTER DLUGOSZ WAS OPTIMISTIC THAT APPROVAL FOR
THE GM TRUCK PROJECT WAS IMMINENT. OLESIK SAID THAT
WHILE SOME IN THE GOVERNMENT FAVOR GOING

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 WARSAW 01813 02 OF 02 151357Z
ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 COME-00 TRSE-00 OPIC-03
AID-05 L-03 AGRE-00 CIAE-00 INR-07 NSAE-00 IGA-02
STR-04 /049 W
-----151427Z 039685 /43

R 151228Z MAR 77
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 7062
INFO AMEMBASSY BELGRADE

LIMITED OFFICIAL USE SECTION 2 OF 2 WARSAW 1813

AHEAD WITH THE PLANT, OTHERS OPPOSE THE PROJECT BECAUSE IT WOULD
NOT CONTRIBUTE TO SOLVING POLAND'S SHORT TERM DOMESTIC MARKET
PROBLEMS.

9. ACCORDING TO OLESKI, ONLY ONE OF FOUR BILLION-DOLLAR PROJECTS
NOW BEING REVIEWED BY THE PLANNING COMMISSION, WILL LIKELY BE
APPROVED. HE LISTED THE PROJECTS AS: A) A MAJOR SYNTHETIC-FBER
COMBINE; B) FURTHER PETROCHEMICAL EXPANSION; C) THE GM TRUCK
PLANT, AND D) A LARGE ALUMINUM COMPLEX. IN OLESKI'S OPINION, THE
FIBER PROJECT IS THE MOST CRITICAL, SINCE POLAND IS ALREADY IMPORTING
LARGE VOLUMES OF ARTIFICIAL FIBERS AND THE COST OF NATURAL-FIBER
RAW MATERIALS IS STEADILY RISING. HE THOUGHT THE OTHER THREE
PROPOSALS HAD MORE OR LESS THE SAME PRIORITY. DLUGOSZ STRESSED
THAT APPROVAL OF ANY MAJOR NEW PROPOSALS WOULD DEPEND ON THEIR
MEETING THE FOLLOWING CRITERIA: A) FINANCING OF 100 PERCENT OF
FOREIGN EXCHANGE COSTS; B) PROVIDING SUBSTANTIAL HARD CURRENTLY
LOANS TO COVER COSTS, AND C) INCLUDING CONVERTIBLE CURRENCY
EARNINGS GUARANTEES SUFFICIENT TO SERVICE THE PROJECT'S DEBT
REPAYMENTS.

10. TRADE RELATIONS WITH THE US- MOST OF THE OFFICIALS,

BUT ESPECIALLY OLESIK, DLUGOSZ, AND KRZAK, BROUGHT UP
THE ISSUE OF US TRADE BARRIERS. KRZAK NOTED THAT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 WARSAW 01813 02 OF 02 151357Z

THE 1976 TRADE DEFICIT WITH THE US WAS POLAND'S
LARGEST. HE WARNED THAT THIS SITUATION COULD NOT
PERSIST INDEFINITELY. A LARGE PORTION OF POLAND'S
UNFAVORABLE DEFICIT WITH THE US IS THE RESULT OF
EXPENSIVE FEEDGRAIN IMPORTS, AND IF BETTER CROPS ARE FORTHCOMING
THIS YEAR AND IN 1978, THE GAP IN US-POLISH TRADE WOULD BE CLOSED
SOMEWHAT.

11. KRZAK SAID THE GOP IS DISSATISFIED WITH THE GROWTH IN POLISH
EXPORTS TO THE US. PRODUCTS OF THE LIGHT INDUSTRIAL SECTOR, SUCH
AS TEXTILES AND SHOES, HAD DONE VERY WELL, EVEN WITH THE US IN
RECESSION. PROCESSED AGRICULTURAL PRODUCTS HAVE ALSO BEEN WELL
RECEIVED BY US CONSUMERS. BUT MANUFACTURED PRODUCTS, SUCH AS
GOLF CARTS, HAD MET WITH MANY DIFFICULTIES IN THE US. KRZAK
SAID AGAIN THAT, UNLESS SALES TO THE US COULD BE INCREASED,
IMPORTS FROM THE US WOULD HAVE TO BE CUT SHARPLY. HE HOPED THAT
THIS COULD BE AVOIDED, BUT EVERYTHING DEPENDED ON THE SUCCESS OF
POLISH EXPORTS.

12. EXPORTS TO HARD CURRENCY COUNTRIES ARE TO GROW
BY 93 PERCENT UNDER THE REVISED 1976-80 PLAN, WITH AN
INCREASE OF 30 PERCENT IN 1977 ALONE. KRZAK ADMITTED
THAT THIS WOULD BE A DIFFICULT ASSIGNMENT FOR THE EXPORT SECTOR,
BUT WAS HOPEFUL THAT INCREASED EXPORTS OF COPPER, COAL, FERTILIZERS,
CHEMICALS, AGRICULTURAL PRODUCTS, TEXTILES, AND SHOES WOULD ENABLE TH
E
POLES
TO REALIZE THEIR GOAL, ESPECIALLY IF COMMODITY-PRICE
TRENDS REMAIN FAVORABLE. KRZAK SAID THIS HAD NOT BEEN THE
CASE IN 1976; POLISH HARD-CURRENCY EXPORTS HAD INCREASED IN VOLUME
BY 17-18 PERCENT, BUT FALLING
PRICES HAD RESULTED IN AN INCREASE IN REVENUE OF ONLY 8
PERCENT.

13. COMMENT: POLISH OFFICIALS WERE CANDID IN THEIR DISCUSSIONS OF
CURRENT ECONOMIC PLANS. THEY ADMITTED THAT GETTING THE POLISH
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 WARSAW 01813 02 OF 02 151357Z

ECONOMY BACK ON THE TRACK WILL NOT BE EASY. AS THE SAME TIME,
IN FORMULATING THEIR AMBITIOUS EXPORT GOALS, THE LEADERSHIP IS
CLEARLY BANKING ON A RESURGENCE OF ECONOMIC EXPANSION IN THE
WEST.

IF THE WESTERN ECONOMIES REMAIN SLUGGISH AND PROTECTIONISM
INTENSIFIED, IMPORT LEVELS MAY HAVE TO BE SLASHED BY MORE THAN IS
NOW PLANNED.END COMMENT.
DAVIES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, BANKERS, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977WARSAW01813
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770088-0887
Format: TEL
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770356/aaaabwys.tel
Line Count: 228
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 76f780b7-c288-dd11-92da-001cc4696bcc
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3097520
Secure: OPEN
Status: NATIVE
Subject: EXIMBANK VISIT TO POLAND, GOP ECONOMIC PRIORITY
TAGS: EFIN, ETRD, PL, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/76f780b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009